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NSC BRIEFING

20 December 1960

BERLIN

- I. Continuing Communist challenge to West Berlin's status was highlighted in two sets of trade talks this past month.
- A. West German trade negotiations with USSR foundered on 12 December when Soviets refused Bonn's condition that the Soviet-West German trade agreement (over \$300 million) cover West Berlin (Previously West Berlin has been tacitly included, but not mentioned in agreement).
1. This would have meant Soviet recognition of legal and political link between West Germany and West Berlin--a point which Soviets consistently deny.
2. Economic aspects of talks proceeded with little difficulty, but Bonn felt compelled to insist on "Berlin clause" because failure to do so would have greatly weakened their position; opposition Social Democrats led by Mayor Brandt had publicly demanded this move.
- II. Problem of Berlin is also the root of the current trade talks at a semi-official level between East and West Germany over the status of their interzonal trade pact (\$468 million in 1959).
- A. Current dispute goes back to 8 September when East Germans attempted to pin down their right of control over East Berlin by passing a law requiring special East German "residence permits" for West Germans traveling to East Berlin.

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- B. Bonn retaliated by denouncing the interzonal trade pact with East Germany and by demanding that the law requiring permits be rescinded as prerequisite for reinstating trade agreement; formal cancellation of the trade pact takes effect on 1 January 1961.
- C. A key section of this trade agreement contains procedures for commercial shipments between West Germany and Berlin.
 - 1. If agreement expires on 31 December, then the East Germans would, in effect, have a legal pretext for exercising unlimited controls over the vital Bonn-Berlin economic life-line.

III. Negotiations between East and West Germany are currently under way on question of reinstating agreement.

- A. Two factors apparently restraining the East Germans from taking hard line in these talks:
 - 1. Moscow is apparently unwilling to foot the high, short term costs of supporting the East German economy in critical first six months next year. (We doubt that the bloc can readily provide many of the goods which would be lost through termination of the agreement.)
 - 2. Soviets, furthermore, apparently prefer not to increase tensions over Berlin prior to attempt to arrange high-level negotiations with US; reports of Moscow meeting confirm this.
- B. East Germans, therefore, have offered not to enforce their restrictions and also offered some other concessions, if Bonn agrees to reinstate trade pact.

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1. Not yet clear whether Bonn will stick to its demand that this East German decree be formally rescinded; East German negotiator said that this "impossible." West Germans, therefore, pressing for written commitment that decree will not be enforced and that police control posts be removed.
- C. Without formal trade agreement some trade could continue on cash basis but:
 1. East Germany would undergo serious economic and perhaps critical political strain.
 2. For the West, the Berlin problem could become immediately critical.
- D. Confused status of agreements means that on 1 January there is possibility that East Germany will bring greatly increased pressure on access routes.
 1. East Germans are publicly threatening that allied as well as West German access rights will be terminated when trade agreement expires.
 2. A further complicating factor is the lack of agreement within West German Government and also among NATO allies as to how the problem should be resolved.

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